

INDAKA LOCAL MUNICIPALITY

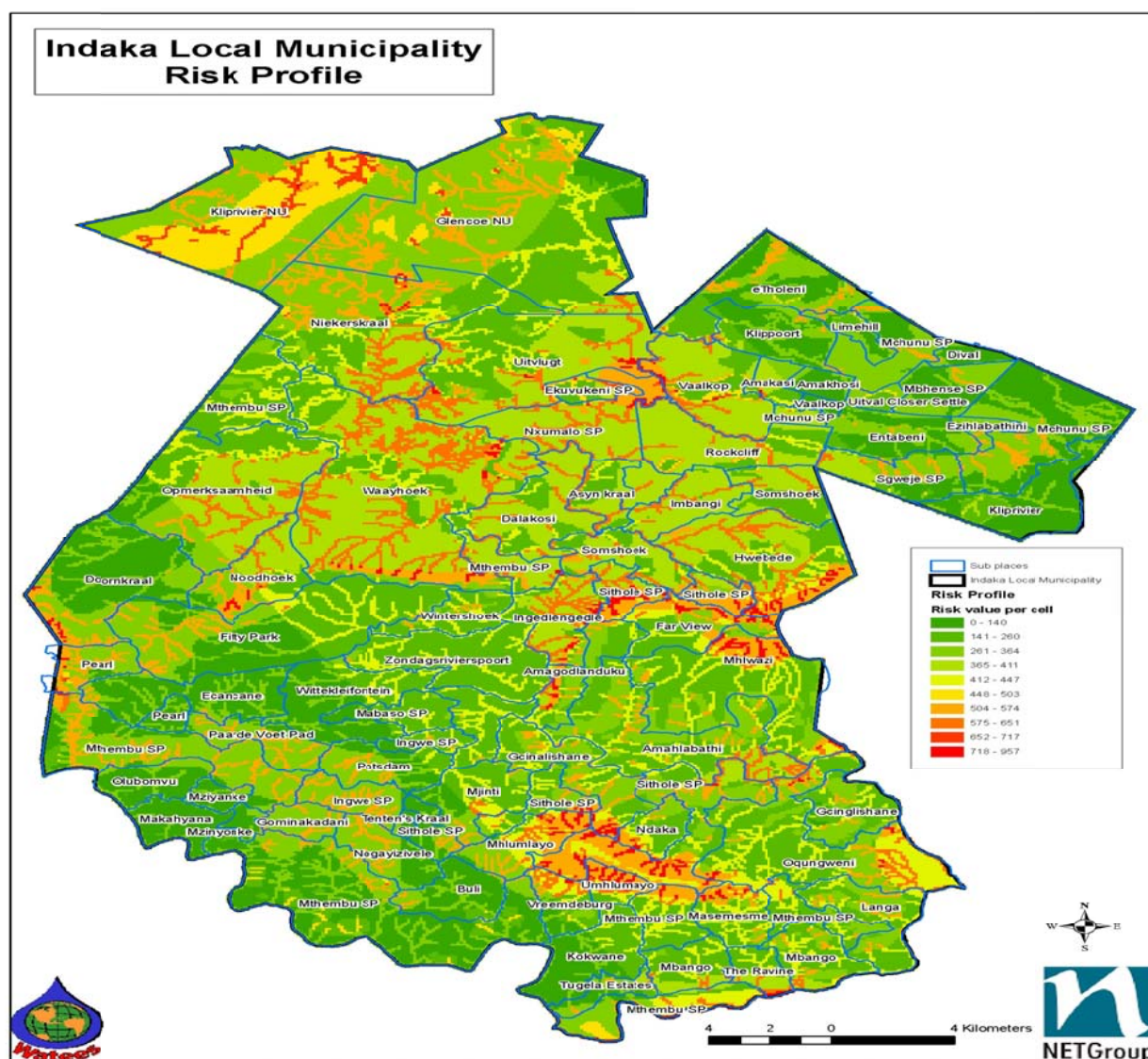
ANNUAL REPORT

2010/2011



TABLE OF CONTENTS

TOPIC	PAGE/S
Overview of the Municipality	3
The Municipal Developmental Vision	4
Mayor's Forewords	5-6
Indaka Office Bearers and Council	7
Executive Committee (Exco)	8
Indaka Full Council	9
Situational Analysis	10
Composition of Council	11-12
Ward Committees	13
Message – Acting Municipal Manager	14
Report – Corporate Services	15-18
Report – Technical Services	19-22
Report – Housing Development & Planning	23-25
Report from Department of Finance	26-30
Audited Financial Statements Year ended 30 June 2011	31-76
Report – Audit Committee	77-79
Report on the Financial Statements	80-87



THE MUNICIPAL DEVELOPMENTAL VISION

The vision is informed by following attributes:

- Indaka is a rural Municipality
- The majority of Indaka households are poor
- That prior 1994 Indaka was not included under Local Government structures

The vision is as follows:

"Championing development to improve the quality of life to all Indaka communities"

The Mission Statement has been carefully crafted to give a motivating message to the staff and the residents of Indaka Municipality

It is as follows:

- Providing Basic Services in a sustainable manner
- Promoting a Social and Economic Development
- Promoting a Safe and Healthy Environment
- Promoting Public Participation in the matter of Local Government

MAYOR'S FOREWORDS



The Mayor: Cllr. N.B Mchunu

We extend the humble greetings to all to lay their eyes on this Municipal Annual Report. It is a common knowledge that towards the end of this reporting financial year, specifically on May 18 2011, the electorates out there went all out to voice their Local Government choices. The rest is now history in terms of the results and the commendable success shown by the Electoral Commission on rendering yet another successful election.

One must therefore begin by appreciating the maturity conveyed by our communities in the conduction of polls. Having said all that, it is imperative to mention the fact that trust that the Indaka Community bestowed on us is not to be celebrated by ourselves, but has to be viewed as a huge challenge that goes with the responsibility one has been given as a Mayor. I wish to embrace this challenge with hope and dedication which could assist in enabling me and the entire council to conquer the road ahead.

And it is even worthy to mention that a fresh mandate that we were given is accompanied by the blessing in it. I say so since there is no single party that was given the responsibility to govern this municipality alone, but the electorates commanded that we govern as a collective and have a compelling trait of leadership in such situations, which is sharing. We are compelled to share the common goal of this council, we have to share the desire to meet the developmental challenges and provide our people with much needed infrastructure and social ills that mares them. We have to share the responsibility to eradicate poverty, fight corruption and disease, and we have to share the oversight role that we were automatically mandated to exercise collectively through the coalition that we formed as a result of the election results.

We are the community at work, we are pursuing our development goal together every day, there is no time to waste anymore because our municipality has seen enough procrastination in the past regime, hence, in the financial year in question, I am proud that we have had programmes that had a direct impact on the community's quality of lives. In every ward at Indaka, we delivered the LED programmes like sewing machines, grass-cutting equipment, starter packs for hair salons, mobile phones, marquee tents and chairs etc. I believe that this is just the beginning, and much challenge is still ahead.

Lastly I want to appreciate with thanks, the improvement that has been brought by the intervention in our municipality by the Provincial Government in terms of Section 139 (1) (b).

Although, we have had some moments where the direction of the intervention could not be shared, I am glad that indeed this move will leave our municipality with much needed capacity and experience that will see us through in our ultimate goal to emancipate our communities in their needs for service delivery.

We are the community at work, let us spur no moment further

Your partner in service delivery

Cllr. NB MCHUNU
The MAYOR

INDAKA OFFICE BEARERS AND COUNCIL



Mayor
Cllr NB Mchunu



Deputy Mayor
Cllr TB Njapha



Speaker
Cllr PBM Mabele

Executive Committee (Exco)



Standing from left to right (Cllr. PM Nzuza & Cllr. TB Njapha, Deputy Mayor)
Seated from left to right (Cllr. M Ngubane & Cllr. NB Mchunu, Mayor)

INDAKA LOCAL MUNICIPALITY – COUNCIL

Standing back row from left to right [Cllr. SV Ndlovu, Cllr. BC Majola, Cllr. SJ Zikalala, Cllr. MA Kheswa, Cllr. TB Njapha (Deputy Mayor), Cllr. PM Nzuza, (Exco member), Cllr. SJ Thwala, Cllr. ME Mbatha, Cllr. NB Mchunu (Mayor)]

Standing Middle row from left to right (Cllr. M Ngubane, Exco member), Cllr. M Madondo, Cllr. JM Kunene, Cllr. SN Mvelase, Cllr. SM Banda, Cllr ZV Mabele)

Front row seated from left to right (Cllr. TBM Shezi, Cllr. HL Madonsela, Cllr. NL Zikalala, Cllr. NG Mbhele)

SITUATIONAL ANALYSIS

Indaka Local Municipality is a rural Municipality which was established on 18 December 2000. It is one of the municipalities falling under Uthukela District jurisdiction. Indaka shares borders with Emnambithi, Endumeni, Umsinga and Umtshezi Municipalities and is situated 49 km east of Ladysmith. It is close to the National Roads that is N3 and N11 and is situated on Helpmekaar Road which links it to Ladysmith, Dundee and Pomeroy. Indaka Municipality has no economic base and that is evidenced by the table below: These figures are based SA Statistics 2000

SOCIO-ECONOMIC PROFILE

Extent of the Municipal area	990 km square	
Population	113 644	
Population density	100/square km	
Black African	113 592	99.9%
Coloured	13	0.01%
White	39	0.03%
Male Population	50 248	44.2%
Female Population	63 396	55.8%
Municipal Age Profile	0-14	51 486
	15-34	35 443
	35-64	20 820
	Over 65	5 895
Dependency Ratio	53 736	63%
Education Level (Not schooling)	18 405	23%

Grade 12	4 752	12%
Employment (out of labour force)	Unemployed	16 849
Financial Grant Dependency		92%
Number of Municipal Wards	10	
Number of Councillor	20	
Number of Traditional Authority Areas	8	
Service Backlogs		
Water		38%
Sanitation		65%
Electricity		53%
Refuse		87%
Housing		50%

COMPOSITION OF COUNCIL

OFFICE BEARERS

Name of Person	Designation
Cllr. N.B Mchunu	Mayor
Cllr. T.B. Njapha	Deputy Mayor
Cllr. P.B M. Mabele	Speaker

MEMBERS OF EXECUTIVE COMMITTEE

Name of Person	Designation
Cllr. N.B Mchunu	Mayor
Cllr. T.B Njapha	Deputy Mayor
Cllr. P.M Nzuzi	Exco Member
Cllr. M. Ngubane	Exco Member

MEMBERS OF THE COUNCIL

Cllr. Z.V Mabele
 Cllr. J. S.Thwala
 Cllr. N.B Mchunu
 Cllr. S.V Ndlovu
 Cllr. M.E Mbatha
 Cllr. S.J Zikalala
 Cllr. N.B Mbhele
 Cllr. B.C Majola
 Cllr. M Madondo
 Cllr. M Ngubane

Cllr. T. B Njapha
 Cllr. S.M Banda
 Cllr. N.L Zikalala
 Cllr. T.B.M Shezi
 Cllr. J.M Kunene
 Cllr. M.A Kheswa
 Cllr. P.B.M Mabele
 Cllr. H.L Madonsela
 Cllr. S.N Mvelase
 Cllr. P.M Nzuzi

MEMBERS OF PORTFOLIO COMMITTEES

Portfolio	Name of Person	Designation
Dev & Planning Committee	Cllr. M Ngubane	Chairperson
	Cllr. H.L Madonsela	Member
	Cllr. N.L Zikalala	Member
	Cllr. M.E Mbatha	Member
	Cllr. S.V Ndlovu	Member
Corporate Services Committee	Cllr. N.B Mchunu	Chairperson
	Cllr. J. S.Thwala	Member
	Cllr. S.M Banda	Member

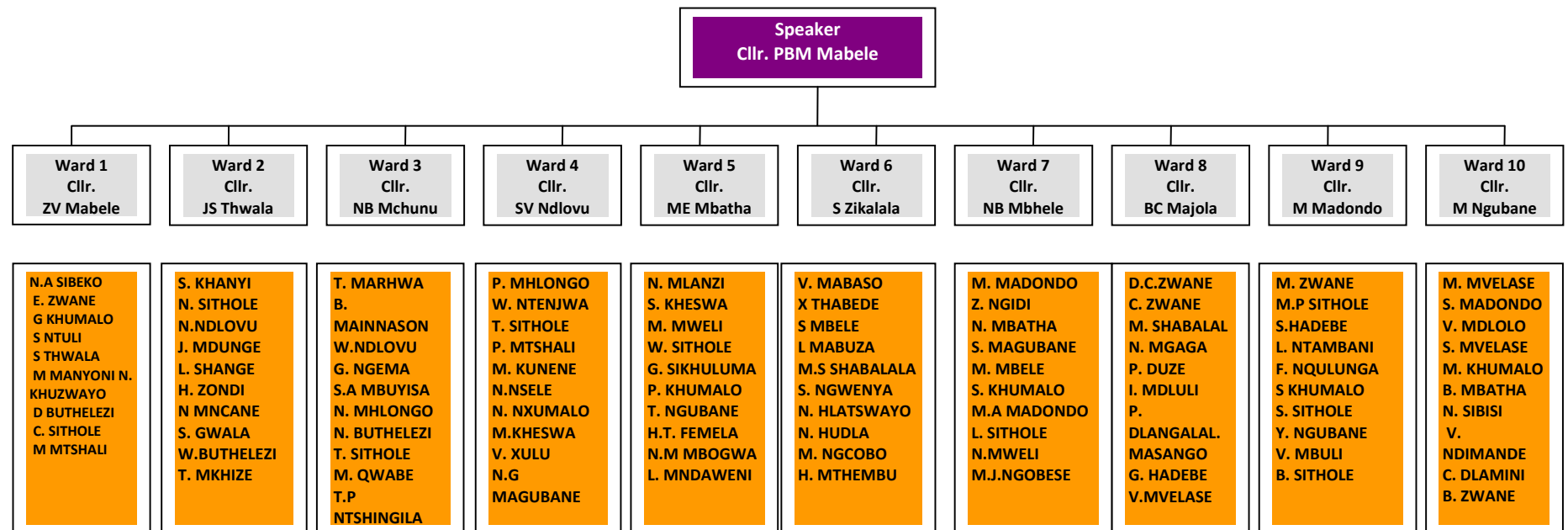
	Cllr. N.B Mbhele	Member
	Cllr. M Madondo	Member
Portfolio	Name of Person	Designation
Technical Services Committee	Cllr. T. B Njapha	Chairperson
	Cllr. Z.V Mabele	Member
	Cllr. S.J Zikalala	Member
	Cllr. S.N Mvelase	Member
	Cllr. B.C Majola	Member
Finance Committee	Cllr. P.M Nzuza	Chairperson
	Cllr. M.A Kheswa	Member
	Cllr. T.B.M Shezi	Member
	Cllr. J.M Kunene	Member

INDAKA MUNICIPAL MUNICIPLA PUBLIC ACCOUNTS COMMITTEE (MPAC)

Name of Person	Designation
Cllr. B.C Majola	Chairperson
Cllr. Z.V Mabele	Member
Cllr. M.A Kheswa	Member
Cllr. M Madondo	Member

INDAKA MUNICIPALITY MANAGEMENT

Name of Person	Designation
Mr. S.S Maphanga	Acting Municipal Manager
Mr. K.S Khumalo	Director: Corporate Services
Mr. M.B Dlamini	Chief Finance Officer
Mr. T. Hlomuka	Technical Services Manager
Mr N.S.W Sithole	Town and Regional Planner
Mr. O.S Mnguni	Area Manager: Thusong Centre
Mr. J.E Sithole	IDP/PMS Officer



MESSAGE FROM THE ACTING MUNICIPAL MANAGER



Acting Municipal Manager
Mr. S.S Maphanga

Indaka Local Municipality is one of the poorest municipalities in the entire Province of Kwa-Zulu Natal. The rate of poverty, crime and unemployment is very high. As I am the one who is sitting at the face of the municipality, I have an obligation to make sure that Basic Services such as those entrusted in the local sphere of government as per schedules 4 Part B and 5 Part B of the Constitution of the Republic of South Africa, Act 108 of 1996. I want to further stress that due to limitations in revenue generation in our Municipality not all services as per the above schedules are being executed.

Is provided to our communities especially to those who are in dire need through five NKPA's I am also obliged to make sure that all services as outlined above should be rendered to the public without looking at the skin colour, gender, size and political affiliation of the community.

I would also like to convey my special thanks to the council, Executive Committee members, the management team, the staff and the community at large for working hand in hand with my office.

SICELO MAPHANGA
ACTING MUNICIPAL MANAGER

NB: This report was prepared in the presence of Mr. SS Maphanga, the former Acting Municipal Manager and adopted in the presence of Mr. T Makhoba, the current Acting Municipal Manager.

REPORT FROM CORPORATE SERVICES



**DIRECTOR CORPORATE SERVICES
MR KS KHUMALO**

Indicator	Unit of Measurement	Baseline	Annual Target	Progress Report
Review of the organisational structure	Revised organisational structure	Existing Organisational Structure	Approved revised Organisational structure by 30 June 2011	Approved on the 14 th June 2011 by Council
Recruitment of personnel	Number of positions filled	99% of positions filled	All budgeted posts filled (10 posts)	88% Employment Rate as on 14 th June 2011
Consultative Platform for Occupational Health and Safety.	1. Number of Meetings.	1. Five (5) Meetings.	1. Four (4) Meetings to be held.	No meeting held
Employment Equity Plan	Completed Employment Equity Plan	Out-dated Plan	A complete revised Employment Equity Plan submitted and approved by Dept. of Labour	Old Plan not revised assistance to be given by Governance Expert
	Submission of the WSDP to DPLG	To commence in this financial year	Submission of the WSDP by 30 June 2009	Submission made on 30 th June 2009

Formulation of Human Resource Related Policies	Number of policies formulated	Five approved Human Resource Policies	4 Policies should be in place by end of the year	Draft policies compiled and workshops to be conducted to staff and council prior to approval
Replacement and Development of Contracts of Employment.	1. Number of Contracts Signed	Two employment contracts to be signed	2 employment contracts to be signed	No new contractual employments

Annual Training Report	Number of employees trained	To commence in this Financial Year	Training of 10 employees	No employees were trained
Ensure that there is a fair and equitable system of progressive discipline	Number of Cases of misconduct which are handled in accordance with SALGBC collective agreement	Improved level of discipline	100% of the reported cases to be attended	<ul style="list-style-type: none"> - Disciplinary cases dealt with by external lawyers in terms of SALGBC - 6 employees were suspended due to financial misconduct, cases are in disciplinary stage
Ensure that there is fair and equitable system to deal with grievances	Number of grievance received and reported to	Poor usage of grievances procedure	100% of the grievances reported to be attended	No grievances raised but Municipality uses SALGBC G & D Procedure
Establishment and functioning of Indaka Local Aids Council of HIV & AIDS Plan	Number of meeting undertaken and number of report submitted	HIV & AIDS Council exists	4 meetings to be undertaken and 4 reports to be submitted	LAC established Policy adopted and several meetings held
Functioning of Ward Committees	Number of trainings undertaken and Number of meetings	Ward committees exists	Future training schedule for ward committees and four meeting schedule and re constitution of New Ward Committees	Ward Committees revived and meetings held and New Ward Committees constituted and training to be arranged (current Ward Committee Profile attached)
Preparation of Indaka Annual Report	Completed and adopted annual report for 2009/10	2008/09 annual report exists as well as PMS reports for 2009/10	Adopting 2009/10 Annual Report	Report compiled adopted and sent to AG & Treasury

Indicator	Unit of Measurement	Baseline	Annual Target	Progress Report
Compilation of Indigent Register and Policy	Indigent Register and completed Indigent Policy	Draft Policy in place	Updated Indigent Register and completed Indigent Policy	Indigent Policy and Register compiled and adopted
Co-ordination of Sports activities including Kwanaloga Games preparation	Number of sports activities co-ordinated	KwaNaloga Games successful undertaken in 2009	Participation in KwaNaloga Games and other sporting activities	Kwanaloga Games successful
Community participation framework	Number of training undertaken and number of monitoring meeting	CPF from the province have been prepared at a provincial level	Preparation of the community participation framework at a local level and monitoring	CPF workshopped to Ward Committee members and Framework formulated
Development of Job description	Completed job description and submission to the Salga.	100% of job Description Compiled	100% completion of job descriptions	Job Description copies submitted to SALGA and outcome of Job Evaluation awaited
To provide technical input into the preparation of the IDP	Number of PSC Meetings, Rep Forums attended, Number of verbal and written input sent to the IDP officer.	Input was made to the 2010/11 municipal IDP	Submitted input into 2010/11 municipal IDP	<ul style="list-style-type: none"> - Departmental inputs incorporated into IDP - Secretariat services provided in the preparation of IDP
To assist with the preparation of the municipal budget.	Written input submitted to the CFO	Input was made to the 2010/11 municipal budget.	Submitted input into 2011/12 Budget	<ul style="list-style-type: none"> - Departmental input incorporated into the budget - Secretariat services provided in the preparation of IDP

Indicator	Unit of Measurement	Baseline	Annual Target	Progress Report
To provide secretarial support to the municipality.	Number of council agendas dispatched seven days before council meetings, number of council resolutions recorded and all council meeting minuted	All council resolutions were minuted last year.	All council agendas to be delivered on time (7 days in advance) and council resolution to be recorded.	Council agendas and minutes compiled
To promote efficiency in the management and expenditure of funds for the department	Number of expenditure reports submitted to MM.	Monthly financial reports pending	All monthly financial reports to be submitted. Prompt payments of invoices.	- 12 Monthly reports submitted to MM
Litigation matters	Number of consultations and court cases.	Cases pending	All cases attended to on a regular basis.	Refer to legal matters above
Drafting and perusal of contracts	Number of contracts drafted and perused	All contracts attended	All contracts must be finalised	Security Company appointed
Constitution and Induction of new council	Number of council meetings held and workshops to ensure council oversight	Schedule of council meetings and establishment of council structures including induction	Quarterly meetings and Portfolio meetings including workshops	New council constituted and Committees established including workshop and adoption of Rules and Orders

Conclusion

The table above seeks to illustrate among others the challenges that the department was faced with and some responses and initiative taken in an attempt to address these issues

We are in a re-construction phase, considering the unfavorable audits and provincial intervention that we have in Terms of section 139 (1) (b) of the Constitution, we hope to strive and rise from the ashes.

Through diligence, we succeed

KHEDARI KHUMALO
DIRECTOR: CORPORATE SERVICES

REPORT FROM TECHNICAL SERVICES

Acting Manager:
Technical Services
Mr NSW Sithole

Indaka is a rural Municipality which is faced with a number of challenges such as high unemployment rate, poverty, dreadful diseases, etc.

One of the core functions of this municipality is to ensure that basic services are provided to the community including those mentioned above. These include provision of adequate infrastructure, projects implementation, and maintenance of existing assets. Considering the fact that Indaka is highly dependent on grants and equitable share, it becomes a challenge to fulfill all the expectations and obligations. However, it must be acknowledged that despite all of those shortcomings we managed in 2010/11 to deliver and service the community of Indaka. The Technical Department is where the Municipality can judge itself in terms of service delivery. It is where most of the community expectations are realized. Establishment and maintenance of infrastructure is the responsibility of the Technical department. The major function of the municipality is to ensure the provision of access roads to our communities.

ROADS (MIG)

The MIG for the financial year under review amounted to R13 944 000.00 and the roll over amount is R7 393 822.00. The roll over figure is inclusive of other grants received by the Municipality during the year.

With the assistance from COGTA through Municipal Infrastructure Grant we managed to establish and complete six gravel roads, namely

- Ezihlabathini Road
- Inkinga Road
- Waaihoek Road
- Limehill Road
- Umgejakazi Road
- Ilenge Road

ROADS AND DRAINAGE SYSTEM (INTERNAL STAFF)

We further engaged ourselves in the maintenance and clearing of several local roads within Indaka Municipality using our own equipment and plant.

These include

- ensuring the well maintenance of Emabhekazi Road to the Reservoir
- Clearing of Nodada Road
- Clearing of access road around Uitval
- Clearing of access roads in Stanford
- Clearing of access roads at Ekuvukeni
- Clearing of access roads from Amakhasi Area to the Graveyard
- Installation of the storm water system near Ekuvukeni Police Station.
- Installation of storm water pipes at Ekuvukeni

MUNICIPAL VEHICLES, PLANT AND EQUIPMENT

We have managed to reinforce and increase our plant to ensure service delivery.

- New Water tanker for road gravelling.
- Roller

OTHER FUNCTIONS BY OUR INTERNAL STAFF

We have ensured that we take full responsibility in assisting residents of Indaka regarding basic needs such as preparation and digging of the grave pits at Ekuvukeni Cemetery.

In the attempts of keeping the town clean, we purchased ten grass cutting Machines and introduced the system of cutting the grass along the streets of Ekuvukeni, Mbalenhle, Roman Catholic Church, Lokothwayo and others.

We have also managed to successfully perform the following:

INTERNAL STAFF

- Elenge Hall has been constructed by our internal Staff although it is not 100% completed as of the time of reporting.
- Uitval crèche was not finished as at the end of the financial year i.e. June 2011
- Guardroom within the municipal premises has been completed by our internal staff.

LANDFILL SITE AND WASTE MANAGEMENT

Waste management activities are in place to ensure that waste is controlled. Hiring of the service provider who collects waste around Ekuvukeni, Waaihoek and Uitvaal is one of those attempts. Dumping site is monitored by our internal staff to promote healthy environment.

The problem the Municipality is facing of the unlicensed landfill site for dumping the waste, on the incoming financial year we seek to address the issue by making the application to the relevant department.

EXECUTIVE SUMMARY OF THE DEPARTMENTAL PERFORMANCE

The table below illustrates the achievements made by the department in respect of Municipal Turn around Strategy (MTAS)

1. National Key Performance area: Basic Service Delivery					
Objective	Strategic Issues (Priority areas)	Key Performance Indicators	Performance Targets	Progress Achieved	Rating
To ensure that Indaka residents have access to basic infrastructure	1. Access to Basic Electricity	Number of household with access to basic electricity	Electrification of 3000 households by 2014	Survey conducted to determine community needs. Natural Dept of Energy approached. Applicant for additional funding made and approved by National Government An allocation of R 7 000 000.00 made Electrification projects commenced in 3 Wards i.e. Ward 2, 3 and ward 4	70% Success Rate
	Access to Free Basic Services	Supply of Free Basic Energy to Indigent	Supply of FBE to 1000 Households	Review of Indigent Policy and Register Supply of electricity cards and E Gell to be done in line with Indigent Register	85% Success Rate
	2. Refuse Removal and Solid Waste Disposal	Number of household with access to basic Solid Waste removal	Removal of Solid waste from 3000 Household by December 2010	Appointed Service Provider. Extension of service to Ekuvukeni, Uitval and Waihoek. Monitoring of the Service Provider Performance	90% Success Rate
	3. Maintenance and upgrading of Municipal Roads	Kilometers of Municipal roads to be regravelled and maintained	Regravelling and maintenance of 70Km of access roads.	New Roller Purchased. New Water Tanker purchased. Ekuvukeni Roads 90% complete extended to other wards Shortage of reliable plant a major challenge.	75% Success Rate

				Use of hired plant is another option Programme being rolled out to all wards.	
--	--	--	--	--	--

CONCLUSION

The Department is looking forward to promoting proper service delivery to the community of Indaka Local Municipality. Several attempts are being made to improve the status of our Municipality to ensure that the municipality acquires better skills, financial assistance and facilities so that all its objectives vision and mission are realized.

WITTY SITHOLE

ACTING MANAGER: TECHNICAL SERVICES

REPORT FROM HOUSING PLANNING AND DEVELOPMENT



**Mr OS Mnguni
Acting Housing,
Planning & Development Manager**

INTRODUCTION

The Housing, Planning and Development department is currently held by the writer in an Acting capacity. As it manifest from its job title, it is a pretty wide field of work that cannot by any chance be adequately run without the adequate Human Resource with the relevant skills that will ensure the Department contributes adequately towards the overall municipal goal for good governance and satisfaction of service delivery.

This document seeks to clarify the actual work done by the Department in the year under review. Let us look at the line items below that show the department's successes and challenges witnessed.

2. Housing Department

With the Housing Department, it is basically the co-coordinating functions that our Municipality does in as far as new and existing Housing Construction Project are concerned. We however play the full role of the Housing regulatory function in as far as residential and other buildings within the Municipal Jurisdictional area are concerned.

Two dedicated employees are manning Housing Department. However, one has to express the deficiency in as far as the attendance of Training workshop organized by the Human Settlement Dept. Although these workshops were provided free of charge by the department, the logistical arrangements involving transport and the payment of the employees' subsistence and travelling allowance was still a challenge.

In the financial under review, it was recorded that 4 housing projects were done i.e. KwaHlathi in ward 1, Mhlumayo in ward 9, Sahlumbe in ward 10 and Vaalkop in ward 4 which was in the preliminary stage at the time of the compilation of the report.

3. Local Economic Development Function

A dedicated official is provided for in our department for the day to day running of the LED function in our municipality. For far too long, we have operated without the proper regulation and direction as to how exactly do we ensure that this performance area is attended adequately by the municipality.

The LED Unit operated without having the LED Plan and Strategy thus made it impossible to execute LED projects and resulted in the unsustainability of projects that were funded then. The monitoring, evaluation and conduction of feasibility studies were not carried due to mention hindrances.

DEVELOPMENT FACILITATION

It is very crucial that one mentions the fact that we are very challenged in as far as the performance of this function. Primarily, the development facilitation function involved the go-between by the municipal official to ensure that the community involvement in the projects is ensured and that the reports to Council are regularly submitted to ensure that the Council is up to date and the necessary actions are timeously taken to keep to project on track and is completed successfully.

PERFORMANCE MANAGEMENT SYSTEM

This core function of the Municipality was not adequately done due to the fact that the key personnel were suspended due to different reasons, including the official dedicated to PMS. This setback caused the Municipality to run without proper reporting in terms of chapter 6 of the Municipal Systems Act.

THUSONG SERVICE CENTRE

Following departments occupied the Indaka Thusong Service Centre

Dept. of labour (coming every Thursday in a week)

Dept. of Home Affairs (same as above)

LIMA CONSULTING

SAPO (adjusting the office to suit their corporate image)

Dept. of Economic Development (once in a week)

HOUSING ADMINISTRATION VS DEV&PLANNING ADMINISTRATOR

As a department we are facing a challenge in as far as the performance of administrators' jobs in their respective units as reflected by the job titles. The background to the issue emanates from the Job Evaluation Process wherein the Housing Administrators position was evaluated and graded accordingly in terms of TASK Job Evaluation scale, whereas, the Administrators position could not be provided with new grading, hence, the discrepancy that resulted in the salary disparity is causing the morale crisis in the employee adversely affected and therefore diminishes the utmost performance. Although this matter is the Labour Relations matter, I feel that it has to be catered for in our Action Plan so that MANCO may consider the alternative to address the matter and thereby level the playing field for the department's performance

The activities conducted are summarized as follows

TASK	ACTION BY	TIMELINE	SUPPORTING AUTHORITY	TARGETED OUTCOME
1. Human Settlement's attendance of Training workshops	Dev. & Planning Head and the delegation of the Administrator where necessary	30 June 2011	MANCO	4 meetings attended in the financial year
2. Implementation of LED PLAN and LED STRATEGY	Dev. & Planning Head and the delegation to the LED Officer	30 June 2011	Council, MANCO, Planning & Dev Head	Adopted LED Plan and Strategy.
3. .Operation of Housing, Planning and Development Portfolio Committee	Planning & Dev Head, Chairperson of the Portfolio Committee, Manco	30 June 2010	Council, Exco, Planning & Dev Head	Operational Standing Committee on Housing, Planning and Development Portfolio
4. Adequate performance of Dev Facilitation Function & Purchase of Vehicles	Plan & Dev Head, delegations to the Development Facilitators	30 June 2011	MANCO	Purchasing of Development Facilitators vehicle to speed up service delivery.
5. Housing Administrator versus Planning Administrator	Head of Dept, MANCO	On-going	MANCO	Equitable remuneration of the departmental staff

CONCLUSION

The Department strived to make successes under these challenging conditions with a hope that on the next financial year the department will be functioning without experiencing major challenges.

As indicated in the introduction, the writer herein is on Acting Capacity, thus, the above systems still applies to the incumbent of the Job and mine is just to ensure that planned performance targets are met.

O S Mnguni

The Acting Planning, Development and Housing Manager

REPORT FROM FINANCE DEPARTMENT



CHIEF FINANCE OFFICER: MR MB DLAMINI

1. OVERVIEW

The Finance Department is responsible for the financial administration, financial control and financial reporting of the local authority as a whole.

2. DESCRIPTION OF ACTIVITY

The services provided by the Finance Department are as follows;

- Budgets and Costing
- Management Accounting
- Financial Reporting
- Procurement
- Revenue
- Credit Control and Debt Collection
- Creditors and Salaries
- Investments and Grant Revenue Control
- Supply Chain Management

3. Key Issues Faced by Department of Finance as at 30 June 2011

The 2011 fiscal period was challenging for Indaka Municipality in relation to the effective functioning of the finance department. The department amongst other things experienced during the fiscal period was:

- On the year under review, it must be registered that the Finance Department had three people heading it, i.e. Mr. MB Dlamini (suspended), Mr. S Shabalala was appointed as an Acting CFO who later withdrawn then Guarantee Trust took over until the end of the year.
- The department had huge turnover of staff especially interns.
- The municipality had a vacuum in the financial period due to suspension of key staff members in the department.
- The 2010 audit report was untimely addressed by the department and management.
- The interns had no level of understanding of financial management system.
- The financial management system was not adequately utilized due to lack of knowledge and skills.
- The internal controls were not effective and is evident by The SCM deficiencies resulted in an increase of irregular expenditure of just over R22 million.
- Reconciliations were not adequately performed by the finance department; hence some reconciliation was performed post 2011 AFS presentation.
- The municipality failed to implement the MPRA during the fiscal period which was due to be implemented last financial period.
- The fixed asset register was not implemented due to insufficient time for review by the internal audit

4. 2011 Fiscal Period Financial Review

4.1 Revenue Comparisons by Source

Departments	2011	2010
Community Services	-	-208,397.12
Corporate Services	-146,412.84	-
Public Halls	-	-
Manager's Office	-	-
Engineering Services	-	-8,333.33
Free Basic Services	-	-
Refuse Removal	-	-
Library Services	-	-
Financial Services	-59,791,585.16	-47,258,843.74
Development and Planning	-52,000.00	-120,000.00
Housing Manger	-	-
Internal Audit	-	-
Mayoral Services	-	-888,234.55
Total	-59,989,998.00	-48,483,808.74

Comments:-

- Revenue increased by 24% resulting from increased grant revenue which includes equitable share, increase in Municipal Systems Improvement Grant, Governance Grant and others.

4.2 Expenditure Comparisons by Departments

Departments	2011	2010
Community Services	-	381,911.12
Corporate Services	17,713,031.34	6,939,759.83
Public Halls	-	1,249.60
Manager's Office	1,204,540.47	1,945,288.46
Engineering Services	23,703,562.13	5,953,787.00
Free Basic Services	-	2,790,534.02
Refuse Removal	-	500,800.00
Library Services	-	270,475.07
Financial Services	10,057,238.80	6,846,406.23
Development and Planning	3,787,607.99	3,330,006.61
Housing Manger	-	167,682.79
Internal Audit	989,030.41	216,124.82
Mayoral Services	-	5,617,809.47
Total	57,455,011.14	34,961,835.02

Comments:-

- Total Expenditure increased by increased by 64% resulting from increased expenditure.

4.2.1 Remuneration of Councilors at 30 June 2011

Description	2011	2010
Executive Mayor	209,500	153,190
Deputy Executive Mayor	187,901	226,465
Speaker	361,954	401,190
Executive Committee Members	365,199	629,349
Councillors	2,448,877	706,513
Councillors' pension and medical aid contributions	-	-
Councillors' allowances	781	2,244,305
Total Councillors' Remuneration	3,574,212	4,361,013

Comments:-

- Total councillors' remuneration costs decreased by 18% in 2011 fiscal period, see the attached audited AFS

4.2.2 Salary Related Costs at 30 June 2011

Description	2011	2010
Employee related costs - Salaries and Wages	8,011,493	6,126,204
Employee related costs - Contributions for UIF, pensions and medical aids	851,463	-
Travel, motor car, accommodation, subsistence and other allowances	1,503,090	-
Housing benefits and allowances	-	-
Overtime payments	118,308	-
Performance and other bonuses	430,979	-
Long-service awards	-	-
Other employee related costs	-	-
Total Employee Related Costs	10,915,333	6,126,204

Comments:-

- Total employee related costs in 2011 fiscal period increased by 78%.
- 2010 comparative figures were all totalled in the salaries and wages and was not broken down as per categories as outlined in 2011 fiscal period.

5. Debt by Customer Group as at 30 June 2011

<u>Ageing of Debtors</u>	Consumers	Industrial / Commercial	National and Provincial Government	Total
	R	R	R	
as at 30 June 2011				
Current (0–30 days)	15,870	21	3,542	19,433
31 - 60 Days	15,862	21	3,542	19,425
61 - 90 Days	15,859	21	3,542	19,422
91 - 120 Days	15,785	21	3,542	19,348
121 - 365 Days	303,716	401	4,451	308,567
+ 365 Days	-	-	-	-
Sub-total	367,092	485	18,618	386,196

Comments:-

- The municipality aging of debtors is made up of refuse levied to consumers.
- The municipality failed to implement the Property Rates in 2011 fiscal period
- An amount of R367047 was provided for as provision for bad debts and this account for 95% of total debts.
- The municipality did not write off any debts during the fiscal period.

The municipality has a listing of approved indigents and all indigents are entitled to alternative energy – Gel. An indigent is defined on the basis of total and combined household income which does not exceed R1100 per month. This Gel is distributed on a monthly basis to all indigents. The total expenditure incurred as a result of the distribution of Gel in 2010/11 fiscal period amount to amount of **R1 693 406.32** was spent on indigents.

7. External Loans outstanding as at 30 June 2011:

LOAN	OPENING BALANCE	RECEIVED DURING YEAR	THE REPAYMENT	CLOSING BALANCE
BBSA @ 5%	4, 753, 458	-	605,076	4, 148, 501
Total	4, 753, 458		605, 076	4, 148, 501

8. Auditor General's Report

See Attached

9. Annual Financial Statement as at 30 June 2011

See attached.

10. Audit Matrix to aimed at addressing the 2011 Audit Queries

See attached

11. Conclusion

The preparation of the financial statements proved to be a very challenging exercise since the municipality had various contributors to the end product of the financial statement. COGTA Finance Deployee who was dealing with the 2009/10 audit queries. Other challenges included the unavailability of key staff members who were part of originating the transactions that are in the financial records, the use of inexperienced interns, and resistance from employees to assist the consultant to produce the AFS. The consultant was however able to produce a set of financials on those limiting conditions.

12. Appreciation

I herewith wish to thank the Council for giving us an opportunity to be part of the management as the municipality was placed under Administration in terms of S139 intervention. I also extend my sincere thanks to the management, staff, interns and colleagues.

REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE

Mr. A Jordan

Audit
Committee Chairperson

Report of the Audit and Performance Committee

We are pleased to present our report for the financial year ended 30th of June 2011.

Audit and Performance Committee Members and Attendance:

The Audit and Performance Committee consist of three members listed hereunder and is supposed to meet at least 3 times annum as per its approved terms of reference to comply with sub-section 4(b) of section 166 of the Municipal Finance Management Act No. 56 of 2003, hereafter referred to as the MFMA.

The Provincial Department of Co-operative Governance and Traditional Affairs continued to place the municipality under its administration throughout the year. The Audit and Performance Committee set for 4 meetings during this period.

Meetings Attended

Name	Number of Meetings Attended
1. Mr. MA Jordan (Chairperson)	4
2. Advocate GTX Radebe	3
3. Mr. Z. Phungula	0
4. Mr. S Majola	4

It must be noted that Mr Phungula resigned during the year and therefore did not attend any meeting.

Audit and Performance Committee Responsibility

The Audit and Performance Committee reports complied with its responsibilities arising from section 166 of the MFMA. The Audit and Performance Committee also reports that it endeavored to operate as guided by the Council-approved charter. It sought to regulate all its affairs in compliance with its charter and to discharge all

its responsibilities as contained therein, and in the new year intends revising the charter to factor the recommendations of the Administrator's turnaround strategy.

The effectiveness of internal control

In their assessment of the municipality's internal controls, the Office of the Auditor-General applauded the work done by the internal auditor to an extent that they placed reliance on the reports produced by internal auditors. With regards to other the systems of internal controls, these are ineffective as compliance with the minimum prescribed policies and procedures was lacking in certain instances.

The Committee seeks to advise the Council on the revised policies and close the gap where such are non-existent. During the year under review several instances of non-compliance were reported by internal and external auditors that resulted from the breakdown in the functioning of internal controls. We have noted that there are a number of senior positions where personnel are acting and most of the time this on its own normally results to the breakdown of internal controls. Significant control weaknesses have been reported by the Office of the Auditor-General (OA-G) under the qualification and emphasis of matter paragraphs in their audit report for the year under review. In most instances, weaknesses reported in the previous year have not been fully and satisfactorily addressed.

Municipality Performance and Risk Assessment

With regards to Performance Management System (PMS) as required by Section 166 (2) (v) of the MFMA and sections 38 to 40 of the Municipal Systems Act No 32 of 2000, the municipality still faces challenges in reporting performance and as a result we cannot give assurance on the credibility of performance reports as these were not reviewed by the internal auditors. Most challenges in this area arose when the outsourced PMS Officer left the municipality. The Committee expressed, throughout the year, its dissatisfaction with the lack of quarterly reports or performance management related policies, framework and quarterly assessments to ascertain spending against planned Key Performance Areas, Key Performance Indicators and service delivery targets. It is the considered view of the Audit and Performance Committee that the municipality failed to comply with sections 166(2) (v) the Municipal Finance Management Act read together with 38 to 40 of the Municipal Systems Act No 32 of 2000.

Equally the Committee would like to express its concerns with regards to the municipality's Risk Management. The municipality failed to continuously identify, design controls to curb risks and monitor risks.

The quality of monthly management / quarterly reports submitted in Terms of the Act and the Division of Revenue Act

The Committee is not satisfied with the content and quality of monthly and quarterly

These reports were prepared and issued by the Acting Municipal Manager and the municipality's Department of Finance during the year under review.

Evaluation of Financial Statements

The Audit and Performance Committee could not apply its mind in the review the financial statements prior to their submission to the office of the OA-G by the 31st of August 2011 deadline as prescribed.

This was mainly due to the following:-

1. The management of the consultants who prepared the Annual Financial Statements was poor.
2. The Annual financial statements we received from the consultant were incomplete.
3. The independence of the Internal Auditor was compromised as the latter had to assist with endeavor to complete the financial statements in time for the review.
4. Thus we were prevented from conducting a meaningful review of the financial statements
5. The working papers file was incomplete, this file was not handed to Internal Auditors on time before the AFS were sent to the OA-G for audit
6. The Year-end Performance Report was not submitted to Internal Auditors timeously. Thus no review could be conducted in this area before submission to OA-G's office.

Recommendations and conclusion

- System of internal controls needs immediate improvement and the municipality must employ in senior positions which are currently vacant.
- Risk committee should be formed which must continuously identify and monitor risk
- Performance reporting system and financial reporting needs urgent improvement
- The Audit and Performance Committee concurs and accepts the conclusions of the OA-G on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the OA-G.

Mr. A Jordan

Chairperson of the Audit and Performance Committee

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON INDAKA MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Indaka Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages ... to

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the MFMA, my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice No. 1111 of 2010* issued in *Government Gazette No. 33872 of 15 December 2010*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of audit opinion

Accumulated surplus

4. I was unable to verify the valuation, existence and completeness of adjustments totalling R5,603 million effected to the accumulated surplus in the financial statements, due to a limitation of scope placed upon my work by the entity. In this regard, adequate supporting documents and/or explanations could not be provided for the aforementioned adjustments. The entity's records did not permit the application of alternative audit procedures.

Changes in net assets

5. I did not obtain all the information and explanations I considered necessary to satisfy myself as to the completeness, occurrence and accuracy of adjustment totalling R534 348 effected to the accumulated surplus. The entity's records did not permit the application of alternative audit procedures, as no explanations and/or documentation could be provided in support thereof.

Property, plant and equipment

6. I was unable to verify a significant number of assets as presented in the fixed asset register. These assets were either not appropriately described in the asset register, not appropriately identified or not available for inspection. The entity's records did not permit the application of alternative audit procedures. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence and completeness of property, plant and equipment.

Accounts receivables

7. I was unable to obtain sufficient appropriate audit evidence to support the salary control and a mobile phone accounts totalling R873 964, as included in the accounts receivables amount in the statement of financial position. Moreover, no reconciliation of these accounts has been performed. The entity's records did not permit the application of alternative audit procedures.

Commitments and contingencies

8. There was no contract management system in place at the municipality for the identification and recognition of contracts. I could not perform alternate audit procedures to obtain reasonable assurance that all commitments and contingencies were properly recorded and accounted for.

Comparative information

9. Cash and cash equivalents

As disclosed in note 30 to the financial statements, the corresponding figure for cash and cash equivalents has been restated by R1,803 million in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness and valuation of cash and cash equivalents corresponding figure of R6,596 million at year-end.

10. Trade and other receivables

As disclosed in note 30 to the financial statements, the corresponding figure for accounts receivable has been restated by R317 898 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation, allocation of and rights pertaining to the accounts receivables amount corresponding figure of R768 142 at year-end.

11. VAT receivables

As disclosed in note 30 to the financial statements, the corresponding figure for accounts receivable has been restated by R473 362 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness and valuation accounts of VAT receivable corresponding figure of R460 429 at year-end.

12. Property, plant and equipment

As disclosed in note 30 to the financial statements, the corresponding figure for property, plant and equipment has been restated by R3,933 million in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness and valuation of property, plant and equipment corresponding figure of R45,250 million at year-end.

13. Landfill site

As disclosed in note 30 to the financial statements, the corresponding figure for landfill sites has been restated by R4,025 million in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness and valuation of landfill site corresponding figure of R4,100 million at year-end.

14. Buildings

As disclosed in note 30 to the financial statements, the corresponding figure for buildings has been restated by R57 820 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness and valuation of buildings corresponding figure of R4,872 million at year-end.

15. Infrastructure

As disclosed in note 30 to the financial statements, the corresponding figure for infrastructure has been restated by R92 634 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness and valuation of infrastructure corresponding figure of R21,709 million at year-end.

16. Community

As disclosed in note 30 to the financial statements, the corresponding figure for community has been restated by R449 568 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness and valuation of the community account corresponding figure of R9,392 million at year-end.

17. Other assets

As disclosed in note 30 to the financial statements, the corresponding figure for other assets has been restated by R508 274 in order to address a prior year misstatement. No supporting documentation was available for the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness and valuation of other assets corresponding figure of R4,544 million at year-end.

18. Trade and other payable

As disclosed in note 30 to the financial statements, the corresponding figure for trade and other payable has been restated by R3,466 million in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation and rights and obligation of trade and other payables corresponding figure of R4,129 million at year-end.

19. Current borrowings

As disclosed in note 30 to the financial statements, the corresponding figure for current borrowings has been restated by R139 265 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation and rights and obligation of current borrowings corresponding figure of R282 493 at year-end.

20. Finance lease current portion

As disclosed in note 30 to the financial statements, the corresponding figure for finance lease current portion has been restated by R916 984 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation and rights and obligation of finance lease corresponding figure of R1,311 million at year-end.

21. Unspent grants

As disclosed in note 30 to the financial statements, the corresponding figure for unspent grants has been restated by R3,860 million in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation and rights and obligation of unspent grants corresponding figure of R3,860 million at year-end.

22. Current provision

As disclosed in note 30 to the financial statements, the corresponding figure for current provision has been restated by R977 076 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation and rights and obligation of current provision corresponding figure of R977 076 at year-end.

23. Non-current borrowings

As disclosed in note 30 to the financial statements, the corresponding figure for non-current borrowing has been restated by R320 112 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation and rights and obligation of non-current borrowings corresponding figure of R4,471 million at year-end.

24. Non-current finance lease liability

As disclosed in note 30 to the financial statements, the corresponding figure for non-current finance lease liability has been restated by R325 228 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation and rights and obligation of non-current finance lease liability corresponding figure of R739 702 at year-end.

25. Reserves

As disclosed in note 30 to the financial statements, the corresponding figure for reserves has been restated by R2,047 million to nil in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement.

26. Accumulated surplus

As disclosed in note 30 to the financial statements, the corresponding figure for accumulated surplus has been restated by R4,432 million in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, validity and valuation of accumulated surplus corresponding figure of R34,500 million at year-end.

27. Rental income

As disclosed in note 30 to the financial statements, the corresponding figure for rental income has been restated by R3 510 in order to address a prior year misstatement. No supporting documentation was available for the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, accuracy and completeness of rental income corresponding figure of R34 641 at year-end.

28. Government grants and subsidies

As disclosed in note 30 to the financial statements, the corresponding figure for government grant and subsidies has been restated by R125 933 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, accuracy and completeness of Government grant and subsidies corresponding figure of R49,248 million.

29. Employee costs

As disclosed in note 30 to the financial statements, the corresponding figure for employee costs has been restated by R56 755 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, accuracy and completeness of employee costs corresponding figure of R8,376 million at year-end.

30. Remuneration of councillors

As disclosed in note 30 to the financial statements, the corresponding figure for remuneration of councillors has been restated by R750 000 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, accuracy and completeness of remuneration of councillors corresponding figure of R4,361 million at year-end.

31. Finance costs

As disclosed in note 30 to the financial statements, the corresponding figure for finance costs has been restated by R424 442 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, accuracy and completeness of finance costs corresponding figure of R530 138 at year-end.

32. General expenditure

As disclosed in note 30 to the financial statements, the corresponding figure for general expenditure has been restated by R49 769 in order to address a prior year misstatement. However, no documentary evidence could be produced to support the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, accuracy and completeness of general expenditure corresponding figure of R12,985 million at year-end.

Opinion

33. In my opinion, because of the significance of the matters described in the Basis for disclaimer of audit opinion paragraphs, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for Indaka Municipality as at 30 June 2011 and its financial performance and its cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

34. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Unauthorised expenditure

35. As disclosed in note 26.1 to the financial statement, the municipality incurred unauthorised expenditure amounting to R4,654 million as a result of overspending on certain votes within the approved budget.

Irregular expenditure

36. As disclosed in note 26.3 to the financial statements, the municipality incurred irregular expenditure amounting to R22,509 million, as no sufficient and appropriate audit evidence to support that the its supply chain management policy was complied with, in the procurement of goods and services.

ADDITIONAL MATTER PARAGRAPHS

37. I draw attention to the matter below. My opinion is not modified in respect of these matters:

Material inconsistencies in other information included in the annual report

38. I have obtained the other information included in the annual report for my review and have not been able to identify any material inconsistencies with the financial statements.

Unaudited supplementary schedules

39. The supplementary information set out on pages xx to xx do not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

40. As required by the PAA and in terms of *General Notice No. 1111 of 2010* issued in *Government Gazette No. 33872 of 15 December 2010*, I include below my findings on the annual performance report on predetermined objectives and material non-compliance with the laws and regulations applicable to municipality.

Predetermined objectives

41. I was unable to conduct the review of performance against predetermined objectives as Indaka Municipality did not submit the annual performance report as required by section 46 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and section 121(3)(c) of the MFMA.

Compliance with laws and regulations**Performance audit committee**

42. The performance audit committee did not substantially fulfil its duties, as required by regulation 4(a) of the Municipal Planning and Performance Management Regulations of 2001 (MPPMR).

Unauthorised expenditure not reported

43. The accounting officer did not report the unauthorised expenditure incurred by the municipality to the MEC for Local Government in the province and the Auditor-General in writing, as required by section 32(4) of the MFMA.

Expenditure management

44. The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

Annual financial statements

45. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors were subsequently corrected by the municipality.

INTERNAL CONTROL

46. As required by the PAA and in terms of *General Notice No. 1111 of 2010* issued in *Government Gazette No. 33872 of 15 December 2010*, I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA, Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), and Municipal Supply Chain Management Regulations (SCM), but not for the purpose of expressing an opinion on the effectiveness of internal control.
47. The matters reported below are limited to the significant deficiencies regarding the basis for the disclaimer of audit opinion, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

48. The accounting officer did not exercise effective oversight responsibility over financial and performance reporting, compliance with laws and regulations as well as internal controls. Actions taken were not adequate to address risks relating to the achievement of complete and accurate financial and performance reporting. Moreover, control weaknesses were not analysed and appropriate follow-up action were not taken to address risks relating to the achievement of financial and performance reporting objectives.

Financial and performance management

49. Systems were not appropriate to facilitate the preparation of quality financial statements and performance reports.

Governance

50. The audit committee did not promote effective accountability through evaluating and monitoring responses to risk of the municipality nor provide oversight over the effectiveness of the internal control environment as well as compliance with relevant laws and regulations.

OTHER REPORTS**Investigations in progress**

51. As part of the Provincial Department of Co-operative Governance and Traditional Affairs' intervention at the Indaka Municipality, a forensic investigation was instituted into matters relating to procurement and financial controls. The investigation was finalised on the 30 November 2010. However, the municipality has yet to act on the recommendations indicated in the forensic report.

52. The municipal manager was suspended during 2009, pending the outcome of an forensic investigation. Council took a resolution subsequently to year-end to pay out the municipal manager a settlement of R517 000, pending the approval of National Treasury. This amount is reflected as a contingent liability in the financial statements.

Pietermaritzburg

30 November 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence